

FUEL ECONOMY INFORMATION PROGRAM

In 1975, Congress passed the Energy Policy and Conservation Act (EPCA), which established Corporate Average Fuel Efficiency (CAFE) standards as well as a testing, labeling, and information program to assist consumers in purchasing new cars. One aspect of the information program was the *Gas Mileage Guide*, a publication listing the fuel economy of cars manufactured at a given time. Car dealers were required to have the Guide available for customers.

The law also required a label to appear in the windows of new cars that lists the miles-per-gallon (MPG) of the car for city and highway driving, the estimated annual fuel cost associated with its operation, and the fuel economy of comparably-sized models. Such labeling began in 1974 with a voluntary program administered by the EPA and the Federal Energy Administration (FEA), a precursor of the Department of Energy. The EPCA made the program mandatory as of March 1976. Although EPA is responsible for testing cars and preparing the *Gas Mileage Guide* and the MPG labels, responsibility for other aspects of the fuel economy program is shared with three other federal agencies: Department of Energy, Department of Transportation, and the Federal Trade Commission.

The labeling program had a number of problems initially with the measurement of vehicle mileage. A Congressional Committee hearing noted, "As the public quickly discerned, the EPA mileage figures were not an accurate measure of on-road performance" (US House, 1980). According to Elder Bontekoe of EPA's Office of Mobile Sources, the tests were not run according to "real world" conditions and considerably overestimated the actual mileage automobiles could be expected to achieve. In response, in 1985 a formula was worked out to adjust the mileage for actual city and highway driving conditions. This new system has been found to be fairly reliable (Bontekoe, 1993).

A few changes have been made to the format of the label since the program's inception. Initially showing both highway and city ratings for MPG, 1979 EPA regulations removed the higher (and less accurate) highway rating, and changed the wording to "Estimated MPG." Car makers were still allowed to use both ratings in advertising, so there was a concern that consumers were "being misled by nightly television advertisements and auto showroom displays featuring extravagant gasoline mileage claims based on their government's own testing program" (US House, 1980). After changes were made in 1985 to improve the accuracy of the tests, labels again bear estimated MPG ratings for city and highway use.

A study performed in 1976 found that 72 percent of new car buyers were aware of the Fuel Economy Information Program and more than half had seen the mileage label on the car they bought (while only 7 percent were aware of the *Gas Mileage Guide*). Also, buyers who were aware of the label bought cars with higher mileage than did unaware buyers, with the mileage of their new car more than 20 percent higher than their old vehicle. Unaware buyers achieved almost no increase in mileage. On the other hand, 64 percent of buyers did not believe the MPG estimates

(Abt, 1976). Two important considerations for interpreting this study are that the OPEC oil embargo, in the winter of 1973-74, was fresh in car buyers' minds at that time, and that the program was still quite new.

The effectiveness of the EPA gas mileage labeling program is largely dependent on public opinions toward gasoline use and conservation. Due to the low price of gasoline in recent years, mileage has become a less important consideration for many car buyers. "We perceive that the numbers are well accepted and the program has a fair degree of recognition in the marketplace," said Mr. Bontekoe. "A lot of people don't *care*, but they do seem to be paying attention."

References

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